

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL MEMORANDUM**

**HB 518 – SB 650**

June 10, 2009

**SUMMARY OF AMENDMENT (009829):** Deletes the language of the original bill. Requires the Department of Economic and Community Development (ECD) to create and administer a pool of funds to be used for establishing a surety bond guarantee program for small and emerging contractors designated as small businesses as defined by the Tennessee Minority Owned, Woman Owned and Small Business Procurement and Contracting Act. Authorizes these funds to be expended to guarantee bid, payment, and performance bonds on contracts up to \$1,000,000 in value. Authorizes the state to guarantee up to 90 percent of a surety bond amount of \$250,000 or less; up to 80 percent of a surety bond greater than \$250,000. Authorizes ECD to utilize up to five percent of the total funds allocated for the program for administrative expenses. Requires any considered funds be subject to annual appropriations in the general appropriations act.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures - \$64,200

Other Fiscal Impact – An appropriation of state funds equal to an amount between \$1,000,000 and \$3,000,000 for establishing a fund necessary for the adequate administration of a surety bond program.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue –**

**Less than \$1,000/Economic and Community Development**

**Increase State Expenditures –**

**\$64,200/Economic and Community Development**

**Other Fiscal Impact – An appropriation of state funds equal to an amount between \$1,000,000 and \$3,000,000 for establishing a fund necessary for the adequate administration of a surety bond program. Five percent of any appropriation may be used by the Department of Economic and Community Development for administrative expenses.**

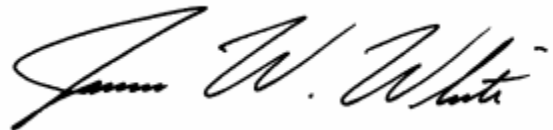
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Assumptions applied to amendment:

- According to ECD, an appropriation of state funds would be required to adequately administer a surety bond program.
- Given that this bill authorizes surety bonds up to \$1,000,000, an appropriation of at least \$1,000,000 would be required. However, if one contractor requested a \$1,000,000 bond, the program would not be able to issue any other bonds.
- ECD indicates that to sufficiently fund such a program, an appropriation of \$3,000,000 should be made for such purposes. This would allow for the possibility of one \$1,000,000 surety bond and several other surety bonds of smaller amounts.
- ECD would require one additional Administrative Services Assistant 4 position to administer this program. The associated increase to recurring state expenditures is estimated to be \$64,200 per year (\$39,700 salary, \$19,500 benefits, \$5,000 other).
- Based on information provided by ECD, any increase to state revenue as a result of fees assessed to participating small businesses is estimated to be less than \$1,000 per year.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc